

**The Influence of Human Resource Management Practices on
Employees Work Related Attitude and Behavior:
Examining the Effect of Job Embeddedness**

By

KALPANA A/P MUNUSAMY NAIDU

**Research report submitted in partial fulfillment of the requirements for the degree of
Master of Business Administration**

2010

ACKNOWLEDGEMENT

First and foremost I would like to thanks GOD for his blessings and grace to complete this thesis and my MBA programme.

I would like to express my deepest gratitude to my supervisor Dr. Daisy Kee Mui Hung for her guidance, encouragement, support, stimulating suggestions and constructive comments during each step of this dissertation process. I am deeply indebted for her valuable times spend throughout the process of completion of this thesis. Her intense knowledge and supervision has been very fruitful and helped me in shaping new ideas. This thesis would not have been possible without her assistance.

Secondly I would like thanks Dr. K. Jeyaraman, who had made available his support by giving guidance in SPSS data analysis and shared his vital experience in better understanding of quantitative research methods.

I would like to dedicate this dissertation to my beloved husband D. Suthagar s/o G. Thurumalingam who holds my hand during good and bad times. Words failed me to express how grateful to have him in my life. This journey is not possible without his love, encouragement and persistent confidence in me.

My father Mr. Munusamay Naidu and my late mother Madam Kalliani deserved special mention for their unconditional love, prayers and inspiration throughout my research project and for all the achievements and endeavors in my life. A special thanks to my parents in law, Mr. Thurumalingam and Madam Suppu for their inseparable support and kind understanding. I also would like to convey my heartiest appreciation to my siblings and family members for their loving inspirations and encouragement.

It is a pleasure to convey my acknowledgment to all my course mates with special gratitude to Maheswaran and Davendran who has always been a good team player and motivator throughout this MBA journey.

In addition, I would like to thank all the respondents from DHL who have furnished valuable feedback towards completion of this study. Finally, I offer my regards and big thanks to all whose has given direct and indirect support in any respect during the completion of this thesis.

TABLE OF CONTENTS

CHAPTER 1	1
1.1 Introduction	1
1.2 Research Background	3
1.3 Problem Statement	5
1.4 Research Objectives	9
1.5 Research Questions	10
1.6 Significance of the Study	11
1.7 Scope of the Study	13
1.8 Definitions of Key Variables	13
1.9 Organization of the Study	14
CHAPTER 2	15
2.1 Background	15
2.2 Introduction	15
2.3 The Role of HR	15
2.3.1 The Role of DHL HR	17
2.4 HRM Practice	18
2.5 Organizational Commitment	24
2.6 Turnover Intention	29
2.7 Job Embeddedness	31
2.8 HRM Practice and Organizational Commitment	34
2.9 HRM Practice and Staff Retention	36
2.10 Theoretical Framework	41
2.11 Hypothesis Development	43
2.12 Summary	45
CHAPTER 3	46
3.1 Introduction	46
3.2 Research Design and Procedure	46
3.3 Research Site	47

3.4	Population and Sample	47
3.5	Data Collection Procedures	49
3.6	Measures	49
3.6.1	HRM Practice Measures	51
3.6.1.1	Role of HRM	51
3.6.1.2	Job Design	52
3.6.1.3	HR Planning	53
3.6.1.4	Recruitment & Selection	53
3.6.1.5	Training and Development	54
3.6.1.6	Compensation	54
3.6.1.7	Performance Management	55
3.6.1.8	Employee Relations	56
3.6.2	Organizational Commitment Measures	56
3.6.3	Turnover Intention Measures	57
3.6.4	Job Embeddedness Measures	58
3.7	Statistical Analysis	59
3.7.1	Descriptive Analysis	60
3.7.2	Factor Analysis	60
3.7.3	Reliability Analysis	61
3.7.4	Compute Mean Value for Variables.	62
3.7.5.	Correlation Analysis	62
3.7.6.	Regression Analysis	62
3.7.7	Testing Of Mediating Effect	63
3.8	Summary	63
	CHAPTER 4	64
4.1	Introduction	64
4.2	Samples and Profiles	64
4.3	Role of HR	67
4.4	Goodness of Measures	68
4.4.1	Factor Analysis	68
4.4.1.1	Factor Analysis for HRM Practice	69

4.4.1.2	Organizational Commitment Factor Analysis	74
4.4.1.3	Turnover Intention Factor Analysis	76
4.4.1.4	Job Embeddedness Factor Analysis	77
4.4.2	Reliability Test	78
4.5	Descriptive Analysis	80
4.6	Restructuring the Theoretical Framework	81
4.7	Correlation Analysis	84
4.8	Testing of Hypotheses	87
4.8.1	Test for Hypothesis 1	87
4.8.1.1	Test for Hypothesis 1a	88
4.8.1.2	Test for Hypothesis 1b	89
4.8.1.3	Test for Hypothesis 1c	89
4.8.2	Test for Hypothesis 2	91
4.8.3	Test for Hypothesis 3	92
4.8.3.1	Test for Hypothesis 3a	96
4.8.3.2	Test for Hypothesis 3b	99
4.8.3.3	Test for Hypothesis 3c and 3d	101
4.8.3.4	Test for Hypothesis 3e	101
4.8.3.5	Test for Hypothesis 3f	102
4.8.4	Test for Hypothesis 4	103
4.9	Summary of Results	107
CHAPTER 5		109
5.1	Introduction	109
5.2	Summary and Recapitulation of the Study	109
5.3	Discussion of Major Findings	110
5.3.1	Relationship between HRM Practice and Organizational Commitment	111
5.3.2	Relationship between HRM Practice and Turnover Intention	113
5.3.3	Influence of the Mediating Factor.	113
5.4	Implications of the Study	114
5.5	Limitations	117

5.6	Suggestions for Future Research	119
5.7	Conclusion	120
	REFERENCES	121
	APPENDIX A: QUESTIONNAIRE	136
	APPENDIX B: DHL HR REPORT	154
	APPENDIX C: FREQUENCY TABLES	156
	APPENDIX D: FACTOR ANALYSIS	162
	APPENDIX E: RELIABILITY ANALYSIS	172
	APPENDIX F: DESCRIPTIVE STATISTICS	183
	APPENDIX G: CORRELATION ANALYSIS	185
	APPENDIX H: MULTIPLE REGRESSION	186
	APPENDIX I: HIERARCHICAL REGRESSION	196

LIST OF TABLES

<u>Table</u>	<u>Description</u>	
Table 3.1	Distribution of Questionnaire Items	50
Table 3.2	Modification of Role of HR Questionnaire	52
Table 3.3	Modification of Performance Management Questionnaire	55
Table 3.4	Organizational Commitment Scales	57
Table 3.5	Job Embeddedness Measurement Scales	59
Table 4.1	Profile of Respondents	66
Table 4.2	Result of the HRM Practices' Factor Analysis	71
Table 4.3	Result of the Organizational Commitment Factor Analysis	75
Table 4.4	Result of the Turnover Intention's Factor Analysis	77
Table 4.5	Result of the Job Embeddedness Factor Analysis	78
Table 4.6	Reliability coefficient for model variables	79
Table 4.7	Descriptive Statistics	80
Table 4.8	Pearson's correlation coefficient	86
Table 4.9	Regression Analysis for HRM Practice and Organizational Commitment	90
Table 4.10	Regression Analysis for HRM Practice and Turnover Intention	92
Table 4.11	Summary of Hierarchical Regression for HRM Practice and Job Embeddedness	94
Table 4.12	Summary of Hierarchical Regression for Job Embeddedness and Organizational Commitment.	96
Table 4.13	Summary of Hierarchical Regression for Job Embeddedness and Turnover Intention	104
Table 4.14	Summary of Hypotheses Testing	108

LIST OF FIGURES

<u>Figure</u>	<u>Description</u>	
Figure 1.1	Theoretical Framework	42
Figure 2.1	Revised Theoretical Framework	83
Figure 4.1	The mediating effect of organizational fit on the relationship between HRM practice and affective-normative commitment	97
Figure 4.2	The mediating effect of organizational sacrifice on the relationship between HRM practice and affective-normative commitment	99
Figure 4.3	The mediating effect of organizational fit on the relationship between HRM practice and continuance commitment	101
Figure 4.4	The mediating effect of organizational sacrifice on the relationship between HRM practice and continuance commitment	102
Figure 4.5	The mediating effect of organizational fit on the relationship between HRM practice and turnover intention	105
Figure 4.6	The mediating effect of organizational sacrifice on the relationship between HRM practice and turnover intention	106

ABSTRAK

Pengurusan Sumber Manusia dan amalannya telah mendapat sambutan baik daripada para penyelidik kerana kesannya yang mendalam terhadap retensi pekerja. Kajian-kajian yang lalu telah menunjukkan banyak bukti yang mendalam yang menghubungkan amalan pengurusan sumber manusia, tahap komitmen pekerja dan niat mereka untuk berhenti dari organisasi. Tujuan utama kajian ini adalah untuk menyiasat kesan amalan pengurusan sumber manusia terhadap sikap dan perilaku pekerja dengan hanya berfokus kepada syarikat DHL. Tujuh fungsi sumber manusia iaitu rekabentuk pekerjaan, perancangan sumber manusia, rekrutmen dan seleksi, latihan dan pembangunan, pampasan, pengurusan prestasi dan perhubungan pekerja telah dipilih sebagai titik tumpuan untuk menyiasat peranan pengantaraan sebuah konsep baru dalam bidang perilaku organisasi iaitu – punca pekerjaan.

Maklumat utama telah kumpulan melalui soal selidik berskala 5 yang telah diuruskan sendiri oleh penyelidik. Seramai 135 pekerja tetap DHL telah menyertai kajian ini secara sukarela. Hasil kajian telah menunjukkan satu penemuan yang luar biasa di mana pendekatan rekrutmen mempunyai hubungan bertentangan dengan kedua-dua komitmen organisasi dan niat untuk berhenti bekerja. Sementara amalan sumber manusia yang lain seperti pampasan didapati boleh meningkatkan komitmen pekerja terhadap organisasi. Di sisi lain pula, punca pekerjaan memediasikan perhubungan antara pengurusan sumber manusia, komitmen organisasi dan intensi untuk berhenti pekerja. Akhirnya implikasi dari penemuan, keterbatasan dan arah tujuan untuk kajian baru di masa depan disyorkan.

ABSTRACT

Human Resource Management (HRM) and the practices have gain amplified interest by the researchers due to its impact on employee retention. Past researches showed substantial evidence linking between human resource management practice, employees' level of organizational commitment and their turnover intention. The main endeavor of this study is to explore the impact of human resource management practice on employees work related attitude and behavior by solely focusing on DHL Company. Seven component of human resource functions namely job design, HR planning, recruitment and selection, training and development, compensation, performance management and employee relations have been chosen as a focal point to investigate the mediating role of entirely new concept in organizational behavior field - job embeddedness.

Primary data was gathered through self administered questionnaire using 5-point likert scale. 135 DHL full time employees voluntarily participated in this study. The results have indicated one surprising finding whereby recruitment approach has opposite relationship with both organizational commitment and turnover intention variable while other HRM practice such as compensation increase the employees' commitment towards the organization. On the other hand, job embeddedness mediates the relationship between HRM and both organizational commitment and turnover intention. Finally implication of the findings, potential limitations and directions for future endeavors are suggested.

CHAPTER 1

INTRODUCTION

1.1 Introduction

In today's dynamic economy, the globalization forces are across the -board of the world and national boundaries are vanishing. The most important impact of globalization is competition which has intensified to a great extent. Organizations need to compete and wrestle with technological and demographic changes, product revolution and accelerating trends. To grow and manage a globally competitive organization, an organization needs to produce and develop its employees who can think and act in line with the changing organizational needs. People can be trained, formulated and molded as per the needs and wants of business demand. In the rhythm and tapping of many new opportunities, human matrix plays a major role. Success of new business ventures across the borders is determined by the human factor and their contribution. Rundle (1997) argued that people and not the firm are the acclimatizing mechanism determines the responsiveness of an organization towards the competitive environment.

In this knowledge based society, the survival of business is strongly determined by its human capital. It has been recognized by new paradigm organizations that motivate and retain high talented employees are the key factor of their business practices (Clarke, 2001). However in this constant changing business climate, employee retention and longevity has become the most critical challenge for many organizations. Successful organization realized that holding highly capable employees will ensure their future

survival (Whitener, 2001) and therefore organizations are contending for the best talent employees (Porter, 2001).

In order to retain talented employees, a good organizational human resource management (HRM) practice is needed to be in place. According to Whitener (2001), a HRM practice is perceived by employees as employer's commitment to them. This is further illustrated by Eisenberger, Huntington, Hutchison & Sowa (1986) that employer's support and commitment has rooted to the employees' commitment towards their organizations. Human resource experts (for example, Kochan and Dyer, 1993; Pfeffer, 1994) advocates that a HRM practice is potentially the unique source of the sustainable competitive verge for organizations. As such, an organizational HRM practice is needed to be managed strategically by organizations in order to retain their talented employees and to promote organizational commitment (OC).

Organizational HRM practice has gained amplified attention over the years due to its impact on employee retention. It is believed that good HRM practice will minimize employee turnover. Voluntary employee turnover is explained by two factors namely individual-level factors, such as personal preferences and organizational-level factors, such as HRM practice (Deutsch, Langton & Aldrich, 2000). At the organizational level of analysis, scholars (Huselid, 1995; Shaw, Delery, Jenkins & Gupta, 1998) have established that HRM practice is likely to decrease voluntary employee turnover. Mitchell, Holtom, Lee, Sablinski, & Erez, (2001) have offered relatively new approach - job embeddedness (JE) in identifying the affiliation between HRM practice and employee

turnover intention (TI). In contrast to traditional view that employees remain in their job due to job satisfaction, Mitchell and colleagues argued that employees willing to stay in their current job as they are influenced and embedded by both on and off job social network. This present study is therefore attempted to explore the relationship between HRM practice, organizational commitment, and employee intention to quit with job embeddedness as a mediating factor.

1.2 Research Background

*“Take my 20 best people and, virtually overnight,
Microsoft becomes a mediocre company”- Bill Gates*

Today, employee retention has become the key element in many organizations talent management and organizational development strategy. Eskildesn and Nussler (2000) highlighted one important factor when organization failed to prioritize the importance of staff retention which contributed to talent cost. Organizations needs to bear both direct and indirect cost when replacing the loss due to staff turnover which includes acquiring high talented replacement benchmarked with market rate salary, cost of hiring and assimilating new talent, and the indirect cost of lost productivity, customer satisfaction, loss of intellectual capital and negative effect on reputation. Therefore, organizations should pay careful attention on the importance of effective employee retention strategy in which will help them to be the market leader by sustaining the business in marketplace.

HRM has linked to the successful of many leading organizations. For example, Google has good HRM practices in place and has made Google one of the greatest companies to work for and managed to retain their best talents. (Source: Fortune 500, 2010). Leading organizations such as AT&T, Honeywell, Kodak, and 3M understand the importance of good HRM practice and begin to develop a good and competence HRM practice several years ago. Prudential Insurance also had specialist development tool to assist the evolution of its HR function. It is clear that HRM practice play an essential part in influencing employee's intensity of commitment and their intention to stay with the organization.

It is further supported by academic scholars (Arthur, 1994; Huselid, 1995) that HRM practice impact employees' attitudes and behaviors and organizational outcomes. Policies are developed to replicate the organizations principles. HRM policies and practice also genuinely can reflect the relationship between management and employees (Delery and Doty, 1996; Jackson and Schuler, 1995). Researchers for example (Arthur, 1994; Huselid, 1995; Koch and McGrath, 1996) indicated that high involvement job practice will improve employee retention. An effective retention strategy which works hand in hand with HRM practice of an organization can lead to high retention of its most valuable assets- the employees.

Despite the argument that HRM needs to aimed to become a strategic partner (Ulrich, 1997), majority of human resource department in Malaysia are still playing administrative roles by managing a day to day functions (Chew, 2005). Even though the importance of HRM is well recognized, this is still a new research matter in Malaysia (Rowley and Saaidah, 2007). Notwithstanding this will be a timely manner to study HRM functions in Malaysia context.

In spite of the tremendous interest in turnover intention, organizational commitment and several studies on turnover intentions have been conducted in past, none have systematically investigated the mediating relationship of job embeddedness (JE) between employees' discernments and perceptions of HRM practice, their organizational commitment level and intention to leave. Therefore the core endeavor of this study is to minimize the gap by examining mediating role of JE on the above relationships.

1.3 Problem Statement

Staff retention issues have been continuously strained Malaysian organizations. An annual survey by Malaysian Employers Federation (MEF 2004, 2005) denotes that the annual labor turnover rates are extremely high, approximately 17 percent for 2003 and 16 percent for 2004 (Chew, 2005). Another exploratory study by (Lim, 2001) cited in (Chew, 2005) has given a surprising findings that Malaysian employees like job hopping and only willing to stay in their current organizations for less than three years. The above employee turnover trend are alarming and worrying as it may distract organization from

their main objective and their valuable time and effort will be wasted in staffing processes.

Turnover and huge cost related to turnover has become burning management concern. Organizations are seriously looking into staff retention strategies as administrating turnover is costly to them. Usually turnover cost will be linked to the direct expenses such as cost associated with training and recruitment process and operational downtime due to lack of skilled, knowledge and aptitude of new staffs. However these are only the tip of iceberg as turnover also associates with indirect cost such as loss of precious acquaintance and knowledge from the organization which are not simply irrefutable. Thus it is timely effort to look into the factors that influence turnover intention among employees in Malaysian organizations.

Guest (1997, 2001) demonstrated that theoretical relationship between HRM practice and employee work relates attitudes remains poorly developed. HRM has been considered a critical factor that affects employees' level of commitment, intentions to leave and amount of job satisfaction (Lee and Heard, 2000). This study is directed to help clarify how employees perceive HRM practice that might impact their attitudes and behaviors.

The traditional view of human resource as company's expenditure rather than value added functions to the organizations is obviously disbanding. Human resource is the foremost intangible asset of an organization to be a competitive leader in the business market. An organization's HRM policies and practice will ensure the organization's continues growth in globalization era. Despite all the effort to make the organization to be competitive in global market, one never forgets the employees who are backbone and most valuable asset to the institute. The effective management of employee is equally important to ensure organization's continues the battle in globalization arena. Policies and procedures do not stand single-handedly without the helping hand from the team of employees. Therefore the role of HRM is crucial and it's the right time to relook at the HRM practice to facilitate them to change and acclimatize by cultivate the right behaviors and attitudes among the employees.

Even though, HRM is comparatively new vicinity in Malaysia context, there have been few studies attempted to rationalize the affiliation between the HRM practice and employee work related behaviors in private sectors (Chew, 2005; Rowley et al., 2007). This is a new experimental whereby to testify the relationship between HRM practice and turnover intention in private sector by solely focusing at one individual organization – DHL.

As the importance of talent management and retention of employees has been recognized by organization as essential element for continues business growth and competency in market place, organization are striving to be employer of choice to survive in the globalization battle. An “employer of choice” is an organization have successfully accomplished the rigorous evaluation development and they are recognized for their leadership, culture, and best HRM practice that attract, optimize, develop and retain their top talent to achieve their corporate objectives (Clarke 2001 ; Dessler 1999).

DHL – the well known brand name is striving to become the First Choice to customers, to the shareholders and to the stakeholders. Resourcing, Talent Management, People Development, Engagement together with Operational Excellence has been primary focus for 2010 Human Resource Strategy with the believe of “ One Team One Vision”. As stated by Asia Pacific CEO, Paul H. Graham “We all need to be on the march for retaining and developing new talent, without this we will limit our growth”. DHL top management is fully aware that properly defined and well executed HR strategy is fundamental to sustainable success of the business but the implementation and both tangible and intangible benefits and the results are not there. The attrition rate for 2009 was around 15% and sadly 30% of resignation is contributed by abscondment. (DHL HR Report, 2009- Appendix B) A big question arise here, is it DHL still the first choice to employees who are the backbone to the company? The attrition rate is alarming and most of the senior employees are leaving the organization. This issue needs an immediate attention and top management together with HR department needs to implement corrective measures and deploy resources appropriately to solve the problem.

This is a timely attempt to study the HRM practice and the consequences to the DHL staff's level of commitment and turnover intention. The top management believed that there are many ways to achieve competitive advantage, but none powerful than a focused team of dedicated professional to deliver the customer promise. As DHL focusing on benefits of low turnover , accelerated learning curves, talent management, employee engagement agendas, and critical HRM strategy, this will a appropriate endeavor by addressing the concept that employees are most important asset in a business by considering an extremely new concept in Human Resource more accurately on staff turnover – Job Embeddesness.

1.4 Research Objectives

The first objective of the present study is to scrutinize the role of HRM. Next, the current study focuses on the relationship between HRM practice and its impact on employee attitude and behavior. Lastly, this study investigates whether job embeddedness mediates the relationship between HRM practice, organizational commitment and employees' turnover intention.

Results from this study will be shared in development of an effective and competent HRM retention schemes for DHL. As talent and retention management are highly important strategic tool for organizations, it can create a unique workforce with committed employees. It can guarantee ongoing success in industry and to be a market leader by improve the organizations ability to select and retain highly capable and motivated employees.

Hence this research intends to:

1. To examine the role of HRM.
2. To observe the relationship between HRM practice and organizational commitment.
3. To scrutinize the relationship between HRM practice and turnover intention
4. To look at the mediating effect of job embeddedness on the relationship between HRM and organizational commitment
5. To examine the mediating effect of Job Embeddedness on the relationship between HRM and turnover intention.

1.5 Research Questions

In order to accomplish the objectives outlined above, this research would endeavor to respond the subsequent research questions: -

1. What is the role of HRM?
2. How does HRM practice relate to OC?
3. How does HRM practice relate to TI?
4. How does JE mediate the relationship between HRM practice and OC?
5. How does JE mediate the relationship between HRM practice and TI?

1.6 Significance of the Study

Due to the recent economy turmoil, downsizing was carried out in many Malaysian organizations lately. The decision on downsizing may be essential and made for strategic and financial reasons. Downsizing may have positively impacted many organizations in terms of productivity and profitability but no one can argue on the psychological impact of it. Downsizing had impacted the morale, motivation, loyalty and attitude of the survivors as they have witnessed the termination of employer and employee bond and relationship. The arena has over and employer understands the importance of the special bond between them and their employees. Organizations are focused in building the relationship by leveraging tools and resources such as money and time to retain the workforce to drive calibration of results as they understand on the importance of retaining highly motivated workforce.

The only vital value an enterprise has is the experience, skills, innovativeness and insights of its people- Leif Edvinsson

Long served employees understand well the organization product, process customer and the strengths and weakness. Their information storage can be considered as important corporate equity (Huselid, 1995; Oh, 1997). Organizations will suffer both productivity and knowledge loss due this turnover of significant employees and the high attrition of long service employees is costly to organizations. Talent employees will bring collectively their valuable talent, knowledge, human capital, significant skills and institutional memory which are not quantifiable and hardly substitutable when the leave

the organizations (Entrekin and Court 2001). This is aligned with current DHL situation as it also suffering from the turnover of its long serviced staffs and subsequent lost of skills, customer trust, knowledge and productivity.

In general, this present study will be useful for other organizations to reduce employee turnover in their business entity. Results and suggestions from this endeavor which is carry out in Malaysian context can be utilized by other organization to enhance corporate competitiveness and performance. On the other hand, these results will be shared with DHL top management to identify the critical gap in the people management systems, re- strategize its retention policies and employee engagement activities in line with aspiration of DP DHL Strategy 2015 to position itself and to attain global competitiveness in order not to be left out in the globalization battle.

In summary, the present research intends to endow human resource practitioners with guidance and support to proficiently manage turnover in their organization. Results from this study will assist in development of an efficient HRM retention program for organizations and in particular for DHL as employee retention is a fundamental strategic tool for organizations to sustain in the market place.

1.7 Scope of the Study

This study covers employees who are currently working in DHL. All level employees will be included in this study and their feedback will be incorporated. This study does not cover employees who are employed on part-time or contract basis and employees who are currently not working. Contract employees whose contract will be terminated and to be convert into permanent position also will be excluded from the survey.

1.8 Definitions of Key Variables

HRM - is blend of policies, practices and systems that influence employees' behavior, attitudes, and performance (Noe et al., 2008)

OC - defined as the relative strength of an individual's identification with and involvement in a particular organization (Mowday et al., 1979)

TI – defined as conscious and deliberate willfulness to leave the organization (Tett and Meyer, 1993)

JE - represents a broad array of influences on employee retention. A construct to explain why employees remain in an organization based on a number of influences rather than solely on positive job attitudes. (Mitchell et al., 2001)

1.9 Organization of the Study

This dissertation is structured and organized into 5 chapters. Chapter 1 encompasses an overview of HRM practice, research background, problem statement, looks into the research objectives and research questions that this study is going to unravel, followed by significance and scope of the study and finally described the definitions of key variables.

Chapter 2 focuses on in depth reviews of literatures pertaining to HRM practice, turnover intention, organizational commitment and job embeddedness. Based on the literature review and previous studies on the construct, proposed research model and research framework is introduced and as well as hypothesis to be tested are formulated. Chapter 3 discusses on the research methodology used for this research. It elaborates in detail on the sampling, research method and instrumentation used in data analysis.

Chapter 4 covers on the discussions on descriptive statistics, data analysis, testing of the hypothesis of the proposed model and summary of the results. Finally, chapter 5 is the final chapter which concludes the entire research and discuss the major findings by looking into the practical implications and limitation of the study. Some conclusions are drawn from the most outstanding results and some directions and suggestions for future research are given.

CHAPTER 2

LITERATURE REVIEW

2.1 Background

This chapter discusses and deliberates literature reviews on HRM practice, organizational commitment, turnover intention and job embeddedness. It elaborates the past studies and relevant theories on the construct variables. The literature review leads to development of research framework as well as the presentation of hypotheses.

2.2 Introduction

Accenture, (2001) recognized that employees are the most important asset and organizational improvement is recognized through people management and development (Marchington and Wilkinson, 1997). Past studies (Delery, 1998; Huselid, 1995; Pfeffer, 1994) viewed that organizations can accomplish competitive advantage through application of its HRM practice. The impact of HRM practice and employee attitude and behavior is an equally significant issue for organizations to look into.

2.3 The Role of HR

The importance of HR remains critical and increasingly crucial to organizations and economies. (Barney 1991; Jackson and Schuler 2000; Pfeffer 1994). Traditionally HR was referred as a personnel department which was providing day to day administrative functions (Rowley 2003). According to Lengnick-Hall and Lengnick-Hall (2003), HR focus has shifted from passive compensation and benefits administration and

become more business-oriented, market-minded and revolutionized in conversion with the changing business climate (Stewart, 1997; Ulrich, 1997). This has resulted in redefining HR roles from administrative support to highly proactive strategic partner (Wright, Dyer, & Takla, 1999). Ulrich (1997) illustrated that the strategic HR role focuses on aligning HR strategies and practices with business strategy. Therefore modern organizations are under relentless pressure to change the HRM roles align with the business goals.

Knowledge based economy recognized the importance of the HR role and the critical contributions to the organizations. According to Rowley and Saaidah (2007), HR is perceived as foremost intangible asset comprises of firm's core competencies which can lead to the organizations performance. Significance of HR as a basis of competitive advantage is constantly iterated in many studies (Barrette and Ouellette, 2000; Guest, 1990; Pfeffer, 1994; Schuler and Jackson, 2005; Schuler and MacMillan, 1984; Takeuchi, Wakebayashi & Chen, 2003). HR is a complex and unique source which are not easily replicate by other organizations compare to other sources of competitive advantage such as technology, economies of scale, size or location (Becker and Gerhart, 1996). Hence an organization's capability to contend in global market becomes increasingly adding value through HR (Yeung and Berman, 1997) and organizations needs to concentrate on the significance of investment in HR as a main source of competitive advantage in the ever changing business environment. Clearly an effective and competitive HR is the key to the strength of organizations in globalized business challenges today.

2.3.1 The Role of DHL HR

DHL – a leading logistics and forwarding company is continuously striving to be a market leader. The top management understands the importance of HR role in maximizing the organization's potential to be best in class. DHL higher management team encourages HR to become a part of them and position themselves as business partners. Therefore the personnel and administration functions which are viewed as paperwork has been outsourced to enable HR plays a strategic role in staffing, training and people management in order for the employees and organization to perform at maximum capacity in highly fulfilling manner. However due to the people management process and needs for the administrations role occasionally, HR team still have overlapping responsibilities. Even though Ulrich (1997) demonstrates that HR needs to fulfill four roles which encompass functions as administrative expert, employee champion, change agent and strategic partner but in the real vibrant business atmosphere, DHL HR team struggling in carrying numerous roles.

The role of the Human Resource personnel in DHL has been seen as systematizing and policing arm of executive management. In this role, the HR staffs served executive agendas which mainly assist in recruiting and staffing, benefits administration and compensation, employee relations and training management. Even though all the HR personnel in DHL have a well rounded grasp with all the HR functions, HR's contribution in terms of value creation process is still not up to the par. Top management viewed HR roles more into the motion of attending trivial administrative tasks and not providing value for the organization. This seen as a road block in DHL's

battle in the fast moving business environment where it striving to achieve the competitive advantage.

Once thought of simply as the place where employee records are kept, today's HR department has evolved into a manager of human capital. However, HR faces challenges, among them providing necessary services at competitive cost, enhancing productivity, and justifying budgets at a time when outsourcing firms threaten its very existence. Now more than ever, HR needs to position itself as a value-added partner that contributes to the strategic goals of its organization. It is time for HR to rethink their role and that of the HR department, not only for the purposes of contributing to the organization's bottom line, but also for their own survival. DHL HR does not run away from this reality. Therefore constant evaluation is needed to evaluate HR role as a main source of competitive advantage for DHL to compete in the business environment.

2.4 HRM Practice

HRM concept implied that employees are resources of the employer. HRM is blend of policies, practices and systems that influence employees' behavior, attitudes, and performance. (Noe, Hollenback, Gerhart & Wright, 2008, p. 2). Armstrong, (1999) defined HRM as a tactical and strategic way to attain, develop, manage and motivate and gaining the commitment of the employees. HRM is seen as “the available talents and energies of people who are available to an organization as potential contributors to the creation and realization of the organization’s mission, vision, strategy and goals” (Jackson and Schuler, 2000, p. 37).

Few scholars (Guest, 1990; Pfeffer, 1994; Schuler and Jackson, 2005; Schuler and MacMillan, 1984) have identified that HRM can be source for competitive advantage of a company and company performance is influenced by a set of effective HRM practice. McMillan (1983) argued that the emerging importance of HRM practice tends to be overlooked by many organizations as a tool to achieve a competitive advantage. Academicians (Gerhart and Milkovich 1990, Pfeffer 1998) identified that HRM practice is the backbone of an organization. Thus achieving an organizational accomplishment needs to be facilitated by employment of sophisticated HRM infrastructure (Schuler and Jackson, 1987) and HRM practice needs to be strategically designed, installed and adopted to promote desirable outcomes.

HRM practice is described as managing a pool of organizational activities and direct them towards the fulfillment of organizational goals and objectives (Schuler and Jackson, 1987; Schuler and MacMillan, 1984). HRM practice is traditionally has been used to attract, retain, and motivate employees (Schuler, 1984). HR systems are developed over the years to manage and support human capital (Gramm and Schnell, 2001).

Scholars (Arthur, 1994; Huselid, 1995) have identified that HRM practice has a huge impact on employee behaviors and attitudes. This is further supported by researchers (Cable and Parsons, 2001; Feldman 2003; Spector ,1997) which was cited by Chew, (2005) pointed out that employee attitude and value which are aligned with corporate vision will lead to continues prosperity and growth of an organizations. Thus

we can argue that HRM practice plays a crucial role in developed and mold employees' behavior towards the organizations goals.

Over the years, many researches have been carried out linking HRM practice to the various aspects of organization's functions. HRM practice has been acknowledged as one of the contributing factors for economic growth. Social, political and technological development of many nations has been associated with effective HRM practice.

There is a growing body of work on HRM practice and organizational performance in recent years (e.g., Budhwar and Katou, 2010; Jones and Wright, 1992; Kleiner, 1990; Lin and Chen, 2007; Sanchez, Jimenez, Carnicer, & Perez, 2007; Shahzad, Bashir, & Ramay, 2008; Ya-Fen Tseng and Tzai-Zang Lee, 2009) showed an important linkage between HRM practice and organizational performance. HRM practice is identified as resource for organizations continues growth and sustainable competitive advantage in business arena (Pfeffer, 1994). The studies by (Holbrook and Hughes 2003; Roffe 1999) recommended that good HRM practice have significant impact on the organization's performance innovation. On top of people management, Huselid, (1995) argued that best HRM practice can linked to a better financial performance.

The impact of HRM practice on two important organizational outcome were acknowledged in previous researches where HRM practice were linked to lower employee turnover (Huselid, 1995) and better employees' organizational commitment (Wright, Gardner, Moynihan, & Allen, 2005). Therefore, the present study intends to

examine the impact of HRM practice on DHL employees level of commitment as well as their intent to stay with the organization

Despite the utilization of HRM practice on themselves, organizations also can gain competitive advantage through application of their HRM practice on others in particularly alliances with their suppliers, customers and distributors. Toyota and Mercedes success in coalition with their supplier and distribution channel to ensure better quality, just-in-time and guarantee of 24-hour service are good samples shows organizations collaboration success with their HRM practice.

HRM practice has the capacity to align with business objectives. Organizations classified HRM practice which creates a clear, meaningful and compelling image to them. Dessler (2003) argued that HRM practice consist of everything that managers perform from recruit, select, train, communicate, evaluate and terminate employees. Huselid (1995) identified eleven HRM practice namely personnel selection, performance appraisal, incentive compensation, job design, grievance procedures, information sharing, attitude assessment, labor management participation, recruitment efforts, employee training and promotion criteria as significant and employed them in his study.

Compensation is one of the most common HRM practice which is identified as an indirect reward given to an employee as a part of organizational membership (Mathis and Jackson, 2004). Training is another HRM practice which is viewed as an important investment for future success (Zeithmal and Bitner, 2004). Gritz, (1993) further

convinced that training remains a major employee development activity. Kulik, (2004) demonstrated recruitment and selection as a sequence of process attracting a pool of applicants to select the best among them. Depending on the size of the organization and the business nature, the HR department has responsibility for various of practice that deal with the needs and activities of the organization's employees. Few of the common HRM practice are namely recruiting, hiring, training, organization development, communication, performance management, coaching, policy recommendation, salary and benefits, employee relations and leadership.

Even though DHL HR department enforce many practices such as workforce planning, recruitment, induction, orientation, skills management, training and development, personnel administration, compensation, time management, payroll administration, employees benefits administration, personnel cost planning, performance appraisal and labor relations, seven dimensions of HRM practice conceptualized by Noe and his colleagues (2008, p.80-82) will be pursued for the purpose of this study.

1. **Job Design** - The process of defining the way work will be performed and the tasks that will be required in a given job.
2. **HR Planning** – HR planning analyzes and identifies the need for and availability of human resources for an organization to meet its objectives.

3. **Recruitment and Selection**- The process through which the organization seeks applicants for potential employment and the process through which the organization attempts to identify applications with the necessary knowledge, skills, abilities and other characteristics that will help it achieve its goals.
4. **Training and Development** - Training is referred as a planned effort to facilitate the learning of job related knowledge, skills and behavior by employee and development is defined as the acquisition of knowledge, skills and behaviors that improve an employee's ability to meet changes in job requirements and in client and customer demands.
5. **Compensation** – Compensation is defined as any monetary or nonmonetary reward given to employees by an employer for their endeavors.
6. **Performance Management** - The mean through which managers ensure that employees' activities and outputs are congruent with the organization's goals
7. **Employee Relations** – Is seen as medium to maintain positive relations with employees. This function includes broad pattern of employee management and systems of direct communication and employee involvement.

In order to better understand the impact of HRM practice, the present study intends to investigate each dimension of above HRM practice and its impact on the two mentioned organizational outcomes.

2.5 Organizational Commitment

When employees joined an organization, a form of bond or relationship is build which is illustrated as employment relationship. Rousseau (1995) illustrates employment relationship as a psychological contract between individuals and their organizations. This psychological contract further divided into two categories: transactional and relational contracts (Robinson, Kraatz & Rousseau, 1994; Rousseau and Parks, 1993). Transactional contract involved monetary relations over the period of time while relational contracts concerned on long term job security, training and development advancement, sharing and support for personal problem (Robinson et al., 1994).

The psychological contract between employer and employee has changed over the years. This is mainly contributed by the changes in institutional structure and transformation processes. Furthermore decline in job protection and security as employers focusing on “employability” compare to long term loyalty also lead termination of this bond (Cappelli, 1999). Now it has become the primary accountability of human resource practitioners to engage employees in absent of psychological contract or commitment. As illustrated by Kaman, McCarthy, Gulbro & Tucker, (2001), even though attract and retain employees are fundamental for organizational success, employee commitment is still crucial issue for many institutions till today.